

# **SANTEE SCHOOL DISTRICT**

Revised Audit Report

## **COLLECTIVE BARGAINING PROGRAM**

Chapter 961, Statutes of 1975,  
and Chapter 1213, Statutes of 1991

*July 1, 2000, through June 30, 2004*



**JOHN CHIANG**  
California State Controller

January 2007



**JOHN CHIANG**  
**California State Controller**

January 31, 2007

Lisbeth A. Johnson, Ed.D., Superintendent  
Santee School District  
9625 Cuyamaca Street  
Santee, CA 92071-2674

Dear Dr. Johnson:

The State Controller's Office audited the costs claimed by the Santee School District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2000, through June 30, 2004. This revised final report supersedes the previously issued final report dated September 29, 2006. This final revised report revises Finding 2 and eliminates Finding 3 from the previously issued report. As a result, allowable costs increased by \$36,478.

The district claimed and was paid \$1,117,902. Our audit disclosed that \$351,935 is allowable and \$765,967 is unallowable. The unallowable costs occurred because the district claimed unsupported costs. The district should return \$765,967 to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site, at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by:*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/jj:wm:vb

cc: Bill Clark, Assistant Superintendent-Business Services  
Santee School District  
Carlos Estrella, Fiscal Analyst  
Santee School District  
Randolph E. Ward, Ed.D.  
San Diego County Superintendent of Schools  
San Diego County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Caryn Moore, Administrator  
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California Department of Education  
Gerry Shelton, Director  
Fiscal and Administrative Services Division  
California Department of Education  
Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance

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## Revised Audit Report

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# Revised Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Santee School District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2000, through June 30, 2004. The last day of fieldwork was July 11, 2005.

The district claimed and was paid \$1,117,902 for the mandated program. Our audit disclosed that \$351,935 is allowable and \$765,967 is unallowable. The unallowable costs occurred because the district claimed unsupported costs. The district should return \$765,967 to the State.

## Background

In 1975, the State enacted the Rodda Act (Chapter 961, Statutes of 1975), requiring the employer and employee to meet and negotiate, thereby creating a collective bargaining atmosphere for public school employers. The legislation created the Public Employment Relations Board to issue formal interpretations and rulings regarding collective bargaining under the Act. In addition, the legislation established organizational rights of employees and representational rights of employee organizations, and recognized exclusive representatives relating to collective bargaining.

On July 17, 1978, the Board of Control (now the Commission on State Mandates [COSM]) determined that the Rodda Act imposed a reimbursable state mandate upon school districts reimbursable under *Government Code* Section 17561.

Chapter 1213, Statutes of 1991, added *Government Code* Section 3547.5, requiring school districts to publicly disclose major provisions of a collective bargaining effort before the agreement becomes binding.

On August 20, 1998, the COSM determined that this legislation also imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561. Costs of publicly disclosing major provisions of collective bargaining agreements that districts incurred after July 1, 1996, are allowable.

Claimants are allowed to claim increased costs. For claim components G1 through G3, increased costs represent the difference between the current-year Rodda Act activities and the base-year Winton Act activities (generally, fiscal year [FY] 1974-75), as adjusted by the implicit price deflator. For components G4 through G7, increased costs represent actual costs incurred.

The seven components are as follows.

- G1–Determining bargaining units and exclusive representatives
- G2–Election of unit representatives
- G3–Costs of negotiations
- G4–Impasse proceedings
- G5–Collective bargaining agreement disclosure
- G6–Contract administration
- G7–Unfair labor practice costs

*Parameters and Guidelines*, adopted by the COSM on October 22, 1980 (last amended on January 27, 2000), establishes the state mandate and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement in order to assist local agencies and school districts in claiming reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit in order to determine whether costs claimed represent increased costs resulting from the Collective Bargaining Program for the period of July 1, 2000, through June 30, 2004.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures, as recommended by *Government Auditing Standards*. However, the district did not submit a representation letter.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Santee School District claimed and was paid \$1,117,902 for costs of the Collective Bargaining Program. Our audit disclosed that \$351,935 is allowable and \$765,967 is unallowable.

For FY 2000-01, the State paid the district \$299,511. Our audit disclosed that \$117,106 is allowable. The district should return \$182,405 to the State.

For FY 2001-02, the State paid the district \$293,973. Our audit disclosed that \$89,420 is allowable. The district should return \$204,553 to the State.

For FY 2002-03, the State paid the district \$297,235. Our audit disclosed that \$94,872 is allowable. The district should return \$202,363 to the State.

For FY 2003-04, the State paid the district \$227,183. Our audit disclosed that \$50,537 is allowable. The district should return \$176,646 to the State.

### **Views of Responsible Official**

We issued a draft audit report on January 6, 2006. Bill Clark, Assistant Superintendent-Business Services, responded by letter dated January 20, 2006, (attached) disagreeing with the audit results.

This revised final audit report revises Finding 2 and eliminates Finding 3 from our final audit report issued September 29, 2006. As a result, allowable costs increased by \$36,478. We advised Bill Clark of the revised report on December 1, 2006.

### **Restricted Use**

This report is solely for the information and use of the Santee Elementary School District, the San Diego County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by:*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

# Revised Schedule 1— Summary of Program Costs July 1, 2000, through June 30, 2004

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>				
Components G1 through G3:				
Salaries and benefits	\$ 110,750	\$ 58,912	\$ (51,838)	Finding 1
Materials and supplies	740	740	—	
Travel	931	931	—	
Contracted services	25,515	25,515	—	
Subtotal	137,936	86,098	(51,838)	
Less adjusted base-year direct costs	—	—	—	
Total increased direct costs, G1 through G3	137,936	86,098	(51,838)	
Components G4 through G7:				
Salaries and benefits	127,593	5,960	(121,633)	Finding 1
Materials and supplies	75	75	—	
Travel	478	478	—	
Contracted services	21,040	21,040	—	
Total increased direct costs, G4 through G7	149,186	27,553	(121,633)	
Total increased direct costs, G1 through G7	287,122	113,651	(173,471)	
Indirect costs	12,389	3,455	(8,934)	Findings 1, 2
Total direct and indirect costs	299,511	117,106	(182,405)	
Less offsetting savings/reimbursements	—	—	—	
Total costs	\$ 299,511	117,106	\$ (182,405)	
Less amount paid by the State		(299,511)		
Allowable costs claimed in excess of (less than) amount paid		\$ (182,405)		
<u>July 1, 2001, through June 30, 2002</u>				
Components G1 through G3:				
Salaries and benefits	\$ 84,018	\$ 26,097	\$ (57,921)	Finding 1
Materials and supplies	1,282	1,282	—	
Travel	4,586	4,586	—	
Contracted services	6,629	6,629	—	
Subtotal	96,515	38,594	(57,921)	
Less adjusted base-year direct costs	—	—	—	
Total increased direct costs, G1 through G3	96,515	38,594	(57,921)	



**Revised Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002 (continued)</u>				
Components G4 through G7:				
Salaries and benefits	133,018	—	(133,018)	Finding 1
Materials and supplies	2,490	2,490	—	
Travel	1,084	1,084	—	
Contracted services	44,718	44,718	—	
Total increased direct costs, G4 through G7	181,310	48,292	(133,018)	
Total increased direct costs, G1 through G7	277,825	86,886	(190,939)	
Indirect costs	16,148	2,534	(13,614)	Findings 1, 2
Total direct and indirect costs	293,973	89,420	(204,553)	
Less offsetting savings/reimbursements	—	—	—	
Total costs	<u>\$ 293,973</u>	89,420	<u>\$ (204,553)</u>	
Less amount paid by the State		(293,973)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (204,553)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Components G1 through G3:				
Salaries and benefits	\$ 82,355	\$ 29,505	\$ (52,850)	Finding 1
Materials and supplies	74	74	—	
Travel	493	493	—	
Contracted services	16,113	16,113	—	
Subtotal	99,035	46,185	(52,850)	
Less adjusted base-year direct costs	—	—	—	
Total increased direct costs, G1 through G3	99,035	46,185	(52,850)	
Components G4 through G7:				
Salaries and benefits	134,749	—	(134,749)	Finding 1
Materials and supplies	1,520	1,520	—	
Travel	183	183	—	
Contracted services	44,483	44,483	—	
Total increased direct costs, G4 through G7	180,935	46,186	(134,749)	
Total increased direct costs, G1 through G7	279,970	92,371	(187,599)	
Indirect costs	17,265	2,501	(14,764)	Findings 1, 2
Total direct and indirect costs	297,235	94,872	(202,363)	
Less offsetting savings/reimbursements	—	—	—	
Total costs	<u>\$ 297,235</u>	94,872	<u>\$ (202,363)</u>	
Less amount paid by the State		(297,235)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (202,363)</u>		

**Revised Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>				
Components G1 through G3:				
Salaries and benefits	\$ 66,637	\$ 21,842	\$ (44,795)	Finding 1
Materials and supplies	152	152	—	
Travel	271	271	—	
Contracted services	9,135	9,135	—	
Subtotal	76,195	31,400	(44,795)	
Less adjusted base-year direct costs	—	—	—	
Total Increased direct costs, G1 through G3	76,195	31,400	(44,795)	
Components G4 through G7:				
Salaries and benefits	123,889	—	(123,889)	Finding 1
Materials and supplies	566	566	—	
Travel	204	204	—	
Contracted services	17,280	17,280	—	
Total increased direct costs, G4 through G7	141,939	18,050	(123,889)	
Total increased direct costs, G1 through G7	218,134	49,450	(168,684)	
Indirect costs	9,049	1,087	(7,962)	Findings 1, 2
Total direct and indirect costs	227,183	50,537	(176,646)	
Less offsetting savings/reimbursements	—	—	—	
Total costs	\$ 227,183	50,537	\$ (176,646)	
Less amount paid by the State		(227,183)		
Allowable costs claimed in excess of (less than) amount paid		\$ (176,646)		
<u>Summary: July 1, 2000, through June 30, 2004</u>				
Total increased direct costs, G1 through G7	\$ 1,063,051	\$ 342,358	\$ (720,693)	Finding 1
Indirect costs	54,851	9,577	(45,274)	Findings 1, 2
Total direct and indirect costs	1,117,902	351,935	(765,967)	
Less offsetting savings/reimbursements	—	—	—	
Total costs	\$ 1,117,902	351,935	\$ (765,967)	
Less amount paid by the State		(1,117,902)		
Allowable costs claimed in excess of (less than) amount paid		\$ (765,967)		

<sup>1</sup> See the Revised Findings and Recommendations section.

# Revised Findings and Recommendations

## **FINDING 1— Unallowable salary and benefit costs, and related indirect costs**

The district did not provide adequate support for \$720,693 in claimed salary and benefit costs for the audit period. The related indirect costs, based on the claimed indirect cost rate for each fiscal year, totaled \$45,274.

The district provided annual declarations estimating the percentage of time the Director of Human Resources and the Administrative Secretary of Human Resources spent performing mandated activities. The declarations constituted the only support the district provided for \$718,187 of claimed costs for salaries and benefits. The district did not provide source documents to validate the employee hours charged, such as individual activity log sheets, meeting sign-in sheets, or actual time records. The district underclaimed costs totaling \$84 due to the use of incorrect productive hourly rates when computing salaries and benefits during the audit period. In addition, the district claimed costs totaling \$2,910 for requiring more than five district representatives to attend negotiation sessions for fiscal year (FY) 2001-02 and FY 2002-03. The district also underclaimed costs totaling \$320 for allowable teacher substitutes for FY 2003-04.

The following table summarizes unallowable salaries and benefits due to unsupported hours, incorrect productive hourly rates, excess district representatives, and underclaimed substitute costs.

Component	Fiscal Year				Total
	2000-01	2001-02	2002-03	2003-04	
Unsupported hours:					
G3—Cost of negotiations	\$ (51,888)	\$ (57,008)	\$ (47,595)	\$ (48,407)	\$ (204,898)
G6—Contract administration	(121,633)	(133,018)	(134,749)	(123,889)	(513,289)
Subtotal	(173,521)	(190,026)	(182,344)	(172,296)	(718,187)
G3—Cost of negotiations:					
Incorrect productive hourly rates	50	(913)	(2,345)	3,292	84
Excess representatives	—	—	(2,910)	—	(2,910)
Underclaimed substitutes	—	—	—	320	320
Subtotal	(173,471)	(190,939)	(187,599)	(168,684)	(720,693)
Related indirect costs	(8,934)	(13,614)	(14,764)	(7,962)	(45,274)
Audit adjustment	<u>\$ (182,405)</u>	<u>\$ (204,553)</u>	<u>\$ (202,363)</u>	<u>\$ (176,646)</u>	<u>\$ (765,967)</u>

*Parameters and Guidelines* requires the claimant to show the employee's classification and hourly rate and the amount of time he or she spent on mandated activities.

*Parameters and Guidelines* states that the claimant must support the level of costs claimed and that the claimants will only be reimbursed for the increased costs incurred, as a result of any compliance with the mandate.

### Recommendation

We recommend that the district ensure that all claimed costs are supported by appropriate documentation. Documentation should identify the mandated functions performed and support the actual number of hours devoted to each function.

### District's Response

In Finding 1, the draft audit report eliminates about seventy percent of the reported salary and benefits costs, \$720,693, and "unallowable." The Controller asserts that the reason for the adjustment is that the "district did not provide source documents to validate the employees' hours charged, such as individual activity log sheets, meeting sign-in sheets, or actual time records." The entire basis for this finding is the quantity and quality of District documentation. None of the adjustments were made because the costs claimed were excessive or unreasonable.

The parameters and guidelines states:

"G. 3. Negotiations: . . .

- a. Show the costs of salaries and benefits for employer representatives participating in negotiations. Contracted services will be reimbursed.
- b. Show the costs of salaries and benefits for employer representatives participating in negotiation planning sessions. Contracted services for employer representatives will be reimbursed.
- c. Indicate the cost of substitutes for release time of exclusive bargaining unit representatives during negotiations. Give the job classification of the bargaining unit representative that required a substitute and dates the substitute worked.

6. Contract administration and adjudication of contract disputes either by arbitration or litigation . . .

- a. Salaries and benefits of employer personnel involved in adjudication of contract disputes. Contracted services will be reimbursed.

H. 3. Salary and Employee's Benefits: Show the classification of the employees involved, amount of time spent, and their hourly rate. The worksheet used to compute the hourly salary rate must be submitted with your claim. Benefits are reimbursable. Actual benefit percent must be itemized. If no itemization is submitted, 21 percent must be used for computation of claim costs. Identify the classification of employees committed to functions required under the Winton Act and those required by Chapter 961, Statutes of 1975."

The parameters and guidelines essentially require claimants to "show" or "indicate" the costs claimed. The parameters and guidelines do not require as a specific condition of reimbursement that claimants provide the "individual activity log sheets or time records" the Controller has established after the fact as an audit requirement. Instead, the parameters and guidelines specify a "worksheet" supporting the calculation of hourly rates and benefits. The District has complied with the parameters and guidelines.

### Annual Reporting

The Controller asserts that report of annual staff hours spent on the mandated activities is unacceptable. The Controller's standard is that all mandate-related daily activities of each employee should be recorded contemporaneously on some sort of daily time sheet. This is a policy preference of the Controller and not supported by the parameters and guidelines or any other legal basis.

### Employee Declarations

The District reported staff time for this mandate using documentation which the Controller characterizes as declarations. The Controller has, as a matter of policy, rejected the use of employee declarations because they are not contemporaneous documentation and are without corroborating evidence. The parameters and guidelines make no reference to contemporaneous documentation or corroborating evidence, yet the Controller insists that such a standard must be applied. If claimants are not aware of increased documentation standards until the audit occurs it is not possible for claimants to comply with the standards.

### SCO's Comment

The finding and recommendation remain unchanged.

We recognize that mandated activities took place at the district. The audit's purpose was to determine the extent to which such activities occurred. Based on documentation provided by the district, we could not determine actual time spent on mandate activities, except in limited circumstances.

The district disagrees with the audit finding related to unallowable hours for the Director of Human Resources and the Executive Secretary of Human Resources. The district contends that it has complied with *Parameters and Guidelines* merely by "showing" or "indicating" costs claimed for these two employees. We disagree. The district is basing its statement on the employee declarations that it provided for all four years of the audit period. All of the declarations were worded in exactly the same manner, stating, "Ninety percent of my time is spent on EER functions. Of that ninety percent, seventy percent is spent on contract administration and thirty percent is spent on negotiations." However, the district provided no corroborating evidence to indicate how these percentages were determined or why they did not vary from year to year. In addition, the district provided no direct evidence indicating what reimbursable activities were performed under the heading of contract administration. *Parameters and Guidelines* states that the claimant must **support** the level of costs claimed and that the State will reimburse the claimant only for the increased costs incurred.

We were able to verify all hours claimed for these two employees during the audit period under the cost category of negotiations by tracing their attendance at union bargaining sessions to the minutes taken at these meetings.

As an alternative, the district can document *actual time* spent by the Director of Human Resources and the Executive Secretary of Human Resources on reimbursable activities in the current year. If the district can make a correlation between the level of effort spent in the current year to the level of effort required for mandated activities in prior years, we are willing to review its analysis and make adjustments, as applicable, to the audit findings.

**FINDING 2—  
Indirect cost pools  
overstated**

The district's indirect cost pools included direct mandate-related costs claimed for the audit period. Therefore, the indirect cost pools and the resulting indirect cost rates were overstated. As a result, the district recovered duplicate costs when it applied its indirect cost rates to federal and state-funded programs. The following table shows the mandate-related direct costs that were also included in the indirect cost pools.

	Fiscal Year			
	2000-01	2001-02	2002-03	2003-04
Salaries and benefits	\$ 43,598	\$ 14,263	\$ 15,992	\$ 5,983
Contract services	46,555	51,347	60,596	26,415
Total	<u>\$ 90,153</u>	<u>\$ 65,610</u>	<u>\$ 76,588</u>	<u>\$ 32,398</u>

We allowed the direct costs claimed because the costs are mandate-related and properly supported. Although the indirect cost rates claimed were overstated, we concluded that the mandate-related indirect costs claimed were not materially affected. Therefore, we allowed the related indirect costs claimed. However, we did not calculate the duplicate costs that the district recovered by applying the overstated indirect cost rates to other federal and state-funded programs.

Office of Management and Budget Circular A-87, Attachment A, states that direct costs are those that can be identified specifically with a particular final cost objective. Indirect costs are costs incurred for a common or joint purpose benefiting more than one cost objective, but are not readily assignable to the cost objectives benefited without effort disproportionate to the results achieved.

**Recommendation**

We recommend that the district notify the California Department of Education (CDE) that the district overstated its indirect cost rates by including mandate-related direct costs in its indirect cost pools. We recommend that the district work with the CDE to adjust subsequent years' indirect cost rates to account for the rates that were overstated during the audit period.

We also recommend that the district work with the CDE to identify the appropriate codes from CDE's standardized account code structure that the district should use when costs are charged directly to federal and state-funded programs.

**Other Issues**

The district's response included comments regarding the SCO's authority to audit costs claimed for FY 2000-01 and FY 2001-02, and a public records request. The district's response and SCO's comment are as follows.

**Statute of Limitations**District's Response

This was not an audit finding. The District's FY 2000-01 claim was filed on January 11, 2002. The District's FY 2001-02 claim was filed on December 19, 2002. Pursuant to Government Code Section 17558.5, these claims are subject to audit only until December 31, 2004. The draft audit report is dated January 6, 2006. Therefore, audit or adjustment of this claim is barred by the statute of limitations.

SCO's Comment

The audit scope remains unchanged. *Government Code* Section 17558.5(a), in effect for claims filed prior to December 31, 2002, states that a reimbursement claim for actual costs filed by a local agency or school district is subject to audit by the State Controller's Office no later than two years after the end of the calendar year in which the reimbursement claim is filed or last amended. The language of the statute requires the initiation of an audit within the timeframe specified, not the issuance of an audit report.

We initially contacted the district by telephone on July 1, 2004, to notify it that we were performing an audit of its mandate reimbursement claims filed under the Collective Bargaining Program for FYs 2000-01, 2001-02, and 2002-03. A formal notification letter, dated August 10, 2004, was mailed to the District Superintendent confirming the audit. We also held an entrance conference with district representatives on September 14, 2004. All of these events occurred well before the expiration of time within which to initiate the audit of December 31, 2004.

**Public Records Request**District's Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period which defines the type of source documentation required, timing of the date of the preparation of employee time records, and the prohibition of declarations as unaccepted documentation.

SCO's Comment

We have provided the district with information it requested under the California Public Records Act.

**Attachment—  
District's Response to  
Draft Audit Report**

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# Santee School District

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

**SCHOOLS:**

Cajon Park  
Carlton Hills  
Carlton Oaks  
Chet F. Harritt  
Hill Creek  
Pepper Drive  
Prospect Avenue  
Rio Seco  
Sycamore Canyon  
Alternative  
Success Program

January 20, 2006

Mr. Jim L. Spano, Chief  
Compliance Audits Bureau  
California State Controller  
Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Santee School District  
Chapter 961, Statutes of 1975  
Collective Bargaining  
Fiscal Years 2000-01, 2001-02, 2002-03, and 2003-04

Dear Mr. Spano:

This letter is the response of the Santee School District to the letter of Jeffrey V. Brownfield dated January 6, 2006, and received by the District on January 20, 2006, which transmits a draft copy of your audit report of the District's Collective Bargaining annual reimbursement claims, for the period of July 1, 2000 through June 30, 2004.

**Finding 1 Unallowable salary and benefit costs, and related indirect costs**

In Finding 1, the draft audit report eliminates about seventy percent of the reported salary and benefits costs, \$720,693, as "unallowable." The Controller asserts that the reason for the adjustment is that the "district did not provide source documents to validate the employees' hours charged, such as individual activity log sheets, meeting sign-in sheets, or actual time records." The entire basis for this finding is the quantity and quality of District documentation. None of the adjustments were made because the costs claimed were excessive or unreasonable.

The parameters and guidelines state:

"G. 3. Negotiations: ...

- a. Show the costs of salaries and benefits for employer representatives participating in negotiations. Contracted services will be reimbursed.

BOARD OF EDUCATION • Dan Bartholomew, Dustin Burns, Allen Carlisle, Dianne El-Hajj, Barbara Ryan  
DISTRICT SUPERINTENDENT • Lisbeth Johnson, Ed.D.

9625 Cuyamaca Street • Santee, California 92071-2674 • (619) 258-2300

- b. Show the costs of salaries and benefits for employer representatives participating in negotiation planning sessions. Contracted services for employer representatives will be reimbursed.
    - c. Indicate the cost of substitutes for release time of exclusive bargaining unit representatives during negotiations. Give the job classification of the bargaining unit representative that required a substitute and dates the substitute worked.
  - 6. Contract administration and adjudication of contract disputes either by arbitration or litigation . . .
    - a. Salaries and benefits of employer personnel involved in adjudication of contract disputes. Contracted services will be reimbursed.
- H. 3. Salary and Employee's Benefits: Show the classification of the employees involved, amount of time spent, and their hourly rate. The worksheet used to compute the hourly salary rate must be submitted with your claim. Benefits are reimbursable. Actual benefit percent must be itemized. If no itemization is submitted, 21 percent must be used for computation of claim costs. Identify the classification of employees committed to functions required under the Winton Act and those required by Chapter 961, Statutes of 1975."

The parameters and guidelines essentially require claimants to "show" or "indicate" the costs claimed. The parameters and guidelines do not require as a specific condition of reimbursement that claimants provide the "individual activity log sheets or time records" the Controller has established after the fact as an audit requirement. Instead, the parameters and guidelines specify a "worksheet" supporting the calculation of hourly rates and benefits. The District has complied with the parameters and guidelines.

#### Annual Reporting

The Controller asserts that report of annual staff hours spent on the mandated activities is unacceptable. The Controller's standard is that all mandate-related daily activities of each employee should be recorded contemporaneously on some sort of daily time sheet. This is a policy preference of the Controller and not supported by the parameters and guidelines or any other legal basis.

#### Employee Declarations

The District reported staff time for this mandate using documentation which the Controller characterizes as declarations. The Controller has, as a matter of policy,



rejected the use of employee declarations because they are not contemporaneous documentation and are without corroborating evidence. The parameters and guidelines make no reference to contemporaneous documentation or corroborating evidence, yet the Controller insists that such a standard must be applied. If claimants are not aware of increased documentation standards until the audit occurs it is not possible for claimants to comply with the standards.

### **Finding 2    Unreported offsetting reimbursements**

No "offsetting savings" in the form of other general funding sources were reported by the District because none exist. The Collective Bargaining mandate was not mandated by any legislation connected with the funding the Controller intends to "offset" to the mandate costs. Thus, the Controller's action is contrary to Government Code section 17556 and the decision of the Board of Control for this mandate. This issue was discussed with audit staff and it is clear there will be no resolution at this level and it will be the subject of an incorrect reduction claim.

### **Finding 3    Unallowable indirect costs**

The auditor reduced the indirect cost rate by eliminating certain salaries and benefits from the "indirect cost rate pool." The parameters and guidelines require claimants to use the J-380 nonrestrictive indirect cost rate or subsequent replacement, without modification. The Controller has provided no legal basis to depart from this requirement. The factual and legal deficiencies of the Controller's position will be the subject of the incorrect reduction claim.

### **Statute of Limitations**

This was not an audit finding. The District's FY 2000-01 claim was filed on January 11, 2002. The District's FY 2001-02 claim was filed on December 19, 2002. Pursuant to Government Code Section 17558.5, these claims are subject to audit only until December 31, 2004. The draft audit report is dated January 6, 2006. Therefore, audit or adjustment of this claim is barred by the statute of limitations.

### **Public Records Request**

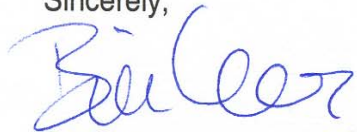
The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period which defines the type of source documentation required, timing of the date of the preparation of employee time records, and the prohibition of declarations as unacceptable documentation.

Government Code section 6253, subdivision (c), requires the state agency which is the subject of the request, within 10 days from receipt of a request for a copy of

January 20, 2006

records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District, please state the estimated date and time when the records will be made available.

Sincerely,



Bill Clark  
Assistant Superintendent  
Business Services  
Santee School District

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

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